

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**INSTITUTIONAL DEVELOPMENT SECTOR FACILITY
SÃO PAULO SOCIAL POLICY EVALUATION
AND IMPROVEMENT PROJECT**

(BR-L1009)

LOAN PROPOSAL

This document was prepared by the project team consisting of Marcelo Cabrol (RE1/SO1), Team Leader; Silvia Raw (RE1/SO1); Deni Sánchez (RE1/SO1); Carlos Herrán (COF/CDR); Valnora Leister (LEG/OPR); and Sudhanshu Handa (consultant). Yony Orbegoso (RE1/SO1) assisted in the production of the document.

**INSTITUTIONAL DEVELOPMENT SECTOR FACILITY
SÃO PAULO STATE SOCIAL POLICY EVALUATION AND IMPROVEMENT
PROJECT
(BR-L1009)**

EXECUTIVE SUMMARY

Borrower:	Government of the State of São Paulo	
Guarantor:	Federative Republic of Brazil	
Executing agency:	Department of Social Welfare and Development (SEADS)	
Amount and source:	IBD (OC):	US\$ 5.0 million
	Local:	US\$2.14 million
	Total:	US\$7.14 million
Financial terms and conditions:	<p>The interest rate, credit fee, and inspection and supervision fee mentioned herein are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.¹</p>	
	Amortization period:	20 years
	Grace period:	3 years
	Disbursement period:	3 years
	Interest rate:	LIBOR
	Inspection and supervision:	0.00%
	Credit fee:	0.25%
	Currency:	U.S. dollars from the Single Currency Facility
Objectives:	<p>The objective of the program is to improve the efficiency and effectiveness of social welfare, advancement and development programs by supporting the institutional development of the social safety net of the State of São Paulo.</p>	

¹ In no case will the inspection and supervision fee exceed, in a given six-month period, the amount that would result from dividing 1% of the loan amount by the number of six-month periods in the original disbursement period.

Description: To achieve the above objective, this operation, which is to be financed under the institutional development sector facility, includes four actions: (i) collecting, processing and promoting the use of data on beneficiaries, programs and institutions; (ii) supporting the effective decentralization of state programs; (iii) defining and implementing a system for monitoring and evaluating actions and programs; and (iv) disseminating information about the programs, actions and results of social development policies.

Component 1. Development and implementation of the Cadastro Pro-Social (US\$2.4 million). The objective of this component is to support the creation and introduction of the Cadastro Único Pro-Social, as a centralized database for gathering information on federal, state, municipal and private social programs, their current and potential beneficiaries, and the institutions implementing them.

Component 2. Support for municipal actions (US\$1.4 million). The objective of this component is to support the effective decentralization of state social welfare policy through the introduction of the municipal social welfare plan (PMAS) in all of the state's municipalities. The PMAS is an instrument for applying social welfare policy at the municipal level, based on an evaluation of the needs of the poor and at-risk population and an analysis of existing services, and adopted through a consolidated agreement between the state and the municipalities.

Component 3. Monitoring and evaluation (US\$1.6 million). The objectives of this component are to strengthen the ability of SEADS to manage and develop processes for social policy evaluation and research and to create, exchange and disseminate information and analyses that might influence decision-making on social programs and policy.

Component 4. Public communications strategy (US\$800,000). The objective of this component is to finance the development and implementation of a public communications strategy that will, among other functions, disseminate information about the use of the Cadastro Único Pro-Social, with the participation of civil society institutions—particularly private institutions—in program financing, encourage the involvement of nongovernmental organizations (NGOs) and other institutions in the implementation of social programs, and promote the participation of the target population in complementary programs.

Special contractual clauses:	<p>(A) The conditions precedent to the first disbursement of the project are: (i) a legal provision putting the project's Operating Regulations into effect under the terms agreed upon with the Bank; (ii) evidence that the Project Management Unit (UAF) has been created; and (iii) the minute of the contract signed with a consulting firm or specialized agency for the procurement of goods and services acceptable to the Bank and in line with terms of reference agreed with the latter. (B) The condition precedent to disbursement of the financing for Component 1 is that the contract signed with PRODESP be submitted.</p>
The Bank's country and sector strategy:	<p>The Bank's activities in Brazil focus on: (i) modernization of the State, (ii) competitiveness, (iii) social inequality and poverty, (iv) the environment, and (v) regional integration. The fight against poverty includes the adoption and deepening of reforms in the social sectors as well as urban and municipal development.</p> <p>This project is consistent with the Bank's strategy with the country, as well as the poverty reduction and social development strategies, as it places special emphasis on the need to promote improvements in the quality and effectiveness of efforts to reduce poverty and social inequality by strengthening the mechanisms for coordinating, integrating, monitoring and evaluating the social safety net.</p>
Coordination with other development institutions:	<p>This operation takes into account the experiences that the Bank and other development agencies have had in various countries in the region. These experiences have shown that the most successful programs are those that use transparent criteria for targeting and selecting beneficiaries, promote intersectoral actions, disseminate their results and are continuously monitored and evaluated.</p>
Environmental and social review:	<p>The project is not expected to have any negative impact on the environment because the proposed operation will not finance any construction works or activities that would generate hazardous waste.</p>
Potential benefits:	<p>This operation is expected to generate significant benefits for the development of social policy by generating awareness of the social actions of governments and NGOs, thereby helping to reduce the inefficiency caused by the duplication of efforts and promoting the positive effects of cooperation among governmental and nongovernmental institutions. Furthermore, these instruments will be developed and implemented in an innovative way that will provide valuable lessons that could serve as an example for other states and even other countries in Latin America.</p>
Potential risks:	<p>An inherent risk in this type of operation is that, even after the actions for institutional strengthening are implemented, the expected</p>

long-term impacts may not be attained. Specifically, the impact of the introduction of the project instruments, such as the Cadastro Único Pro-Social, the PMASs and the evaluations, depends on informed policy-making based on these instruments and improvements in the design and effectiveness of these programs.

This risk is mitigated by the creation of the Social Policy Management Committee consisting of the secretaries of Casa Civil [Executive Office] (chair), Economy and Planning, Finance, Labor, Education, and Health and Social Welfare.

Poverty-targeting and social sector classification:

This operation qualifies as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). This operation also qualifies as a poverty-targeting investment (PTI). The borrower will be using the 10 percentage points in additional financing. The PTI classification is justified for geographical reasons, since the São Paulo social safety net gives priority to municipalities with the lowest municipal human development index.

Procurement plan and timeframe:

International competitive bidding will be required for: (i) procurements of goods and related services for amounts equal to or greater than the equivalent of US\$350,000, and (ii) consulting contracts valued at more than US\$200,000.

As an exception to the required procedure for awarding consulting contracts through competitive bidding, it is recommended that PRODESP and SEADS be contracted directly. These agencies will carry out any procurement, consultant contracting or other required activity in accordance with Bank procedures. This contracting is consistent with the provisions of section GS-403 of the Procurement Manual.

It was agreed that the procedures for procurement of goods and consulting services in amounts that require international bidding will be reviewed ex ante by the Bank's Country Office. Procurement of lesser value, which are governed by National Law 8666, will be reviewed ex post after the Country Office has approved the applicable terms of reference or technical specifications. However, if the Country Office finds that Bank regulations are not being followed in one or more procurements, it may suspend this procedure and review ex ante all procurement operations for goods and services. The procurement plan for this operation is provided in Annex III-1.

Key performance indicators and monitoring benchmarks:

The monitoring and evaluation of the proposed project will be based on the output and outcome indicators set forth in the logical framework. Outcome indicators, at the purpose level, include the following:

The Cadastro Único Pro-Social is used to provide grants for all conditional transfer payment programs (whether federal, state or municipal).

At least 80% of the funds transferred to the municipalities to finance programs for at-risk groups are transferred in accordance with the PMAS.

Midterm and final results of the impact evaluation of multiple treatments and the individual program evaluations are disseminated to the public.

Output indicators, at the component level, include, but are not limited to, the following:

The mechanisms for maintaining and updating the Cadastro Único Pro-Social have been adopted and are being implemented.

150 PMASs have been developed, 300 local managers have been trained, and six social management workshops have been held.

The baseline of the beneficiaries of programs or multiple treatments has been developed.

The results of the living conditions survey and evaluation of multiple treatments have been published.

At least five documents for disseminating information on the Cadastro Único Pro-Social have been published, and six workshops for disseminating social policy have been held.

Five projects have been certified in quality competitions.

Joint reporting arrangements between the Bank and the executing agency:

Within 60 days after the end of each six-month period while the project is under way, SEADS will submit to the Bank semiannual progress reports on the status of project activities. In order to monitor and evaluate project results, these reports will include a year-by-year comparison of progress using a set of monitoring indicators taken from the logical framework, as mutually agreed by the Bank and SEADS.

As part of the project monitoring procedure, two evaluations are scheduled to be performed—one midterm and one final. The midterm evaluation will focus on progress in the development of instruments and tools, while the final evaluation will focus on the implementation of the instruments and their use in the policy-making process.

The final evaluation will be prepared within six months before the deadline for the final loan disbursement, and the results of this evaluation will be submitted to the Bank along with the final disbursement request.